"A method comprising:

creating an account for an account holder, the account being a single account as opposed to a combination of separate accounts operating in parallel, the account having a balance which can be positive or negative;

paying an amount of money and charging the amount to the account so that the account has an initial balance which is negative;

performing automatic payroll deduction to automatically deduct pay over time from the account holder and apply the deducted pay to the balance of the account, the automatic payroll deduction being performed to pay off the initial balance and continuing thereafter to thereby accrue a positive balance in the account;

when the balance is negative, charging interest on the balance to the account; and

when the balance is positive, paying interest on the balance to the account."

This is essentially a business process, which involves a new financial instrument "installment loan/savings account" with particular properties.

Introduction of a new financial instrument as this account is a substantial innovation. We know, how new financial instruments as derivatives (standard calls and

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puts, interest rate swap, etc.) substantially affected financial business.

The term "financial instrument" implies a set of enforceable rights and obligations, which specifics stay outside patent applications. Nevertheless, a financial instrument is a distinctive "object" in the business process.

I needed such distinctive object to allow a manageable and "final" transfer of property.

There is a list of similar latest U.S. patents: 6,735,573 Gelman et al.; 6,629,081 Cornelius et al.; 6,618,706 Rive et al.; 6,542,875 Mulvihill at al.; 6,477,510 Johnson; 6,356,880 Goossens.

They all belong to the same class 705 subclass 30. I am sure that my patent application should be classified similarly.

Following is a detailed answer to your letter by the paragraph.

To 1

I hope that above arguments show how my application fits within patentable technological arts and that is technically useful.

To 2, 3 and 4

I modified claims in attached Claims Amendment to fashion them as claims similar in form to ones brought in mentioned above granted patents.

To 5 and 6

You rightfully pointed out that Tsagarakis et al. address an issue of transformation of the holding, while in possession of a broker; however, he addresses only currency transformation, and most importantly, he addresses only transformation, while in possession of the same broker.
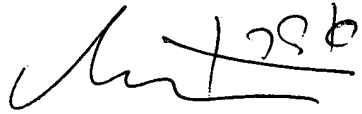
My invention was made to handle transformation, which interferes with the transfer of holding from one broker to another. This transformation is not confined to one transaction processing system. Ideas of Tsagarakis cannot be used to solve this problem.

This is a main difference between my claimed financial instrument and methods described by Tsagarakis. In addition, Tsagarakis addresses only currency related transformations. He does not address transformations related to dividends or stock splits and there is no obvious way to extend his methods to handle these specific transformations. Also, he does not address separate trading of "pending dividends", he even does not have a similar concept; hence, he does not have an idea similar to dividing of Securities Tickets.


To 7

Patents, which do not belong to class 705, subclass 30, would only impede understanding of ideas of this application. Some of them are related indirectly to my invention, but I would rather make references to other patents. If you see such references important, I will make an additional specification amendment with references to patents of this class issued before my application.

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Sincerely,

Alexander Liss

03/17/05

Attachment:

Claims Amendment
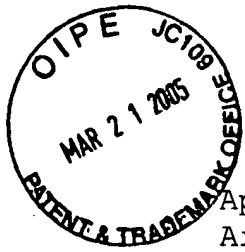
Claims Amendment

1. (currently amended) A divisible financial instrument [-] a Securities Ticket, associated with a particular type of holding of´ [-] a security or a currency, which

represents a particular following "transformation in a progress" of this holding initiated by an issuer of this type of holding:[,] for example as securities split, currency conversion, dividend or interest payment, etc[.]

is granted to a holder of this holding before the end of the process of transformation,

serves as a record is used to finalize the transformation,

participates in the trade of this holding as a representative of the state of this holding after this transformation.

2. (currently amended) The Conversion Securities Ticket of the claim 1 [-] a Conversion Securities Ticket, which is associated with security or currency conversion, and which is split, as the associated with it holding is split, when a part of the holding is transferred, and transferred together with that part of the holding; it carries information about the type of holding, which is a subject of transformation, and about the moment and the kind of this transformation.

3. (currently amended) The Dividend Securities Ticket of the claim 1 [-] a Dividend Securities Ticket, which is associated with adding of holdings on the basis of a qualified historical record of an Account, where this

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holding is recorded, ~~for example with~~ because of a dividend or an interest payment, and which can be split ~~(subject to limitations of such split)~~ and transferred separately[,] ~~for example as a part of a trade~~; it carries information about the qualified historical record, types and amounts of additional holdings due in the end of the transformation and the moment of the end of this transformation.

4. (currently amended) The ~~method~~ Securities Tickets of the claim 1, where

~~securities~~ security or currency holding is represented as records in Accounts,

there are software modules [-] Tickets Managers, each managing its group of Accounts by granting Securities Tickets, performing their splits and aggregation and finalizing the transformation,

there is a First Notification sent to Ticket Managers preceding a Securities Ticket granting and a Second Notification sent to Ticket Managers preceding [a] final ~~holding~~ transformation of holding.

5. (currently amended) The ~~method~~ Securities Tickets of the claim 1, where there is a special entity, which

facilitates [a] delivery of a new version of [a] converted holding or a dividend or an interest payment,

participates in creation of Securities Tickets, created as original Securities Tickets or as a result of Securities Tickets splits or a result of Securities Tickets aggregation.

6. (currently amended) The ~~method~~ Securities Tickets of the claim 5, where each Securities Ticket is cryptographically signed by this entity.

Sincerely,

Alexander Liss

03/17/05